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Attorneys for Plaintiff
McGregor Sea & Air Services (America) Inc.

SUPERIOR COURT OF THE STATE OF CALIFORNIA
IN AND FOR THE COUNTY OF SAN DIEGO

McGREGOR SEA & AIR SERVICES
(AMERICA) INC., A Delaware
Corporation,

Plaintiff,

vs.

CINEMATRONICS, INCORPORATED, A
California Corporation,

Defendant.

CASE NO.

DECLARATION OF MILTON
HALLEN IN SUPPORT OF
APPLICATION FOR RIGHT
TO ATTACH ORDER

I, MILTON HALLEN, declare as follows:

1. I am an adult and competent to make this declaration.

Each fact contained in this declaration is based upon my personal knowledge as a percipient witness or is based on my personal knowledge after having consulted the business records of McGregor Sea & Air Services (America) Inc. ("MSAS"). Each business record which is a source of a fact contained in this declaration is a writing made in the regular course of our business, made at or near the time of the act, condition or event described, the identity of which and mode of preparation of which is known to me and as to which the sources of information

1 and method and time of preparation are such as to indicate the
2 trustworthiness of the document.

3 2. I am employed by MSAS as that entity's San Diego
4 station manager. Our offices are located within San Diego
5 County, California.

6 3. At some point in time prior to the first of the trans-
7 actions which are the subject matter of the verified complaint
8 on file in this action, a business relationship was established
9 between Cinematronics, Incorporated ("Cinematronics") and MSAS.

10 4. According to the terms of this relationship, MSAS
11 began to act as Custom House Broker for Cinematronics.

12 5. Cinematronics is in the business of importing
13 electronic video game parts from Japan for manufacture within
14 this country and distribution throughout the United States. I
15 am familiar with the business operation at Cinematronics by
16 reason of having been involved in the solicitation of this
17 account on behalf of MSAS.

18 6. The services which MSAS provided to Cinematronics at
19 their request consisted of the following: Upon being advised by
20 its Japanese supplier that a shipment had been delivered in
21 Japan to an airfreight carrier for transport to the United
22 States, and upon being provided with the "Air Waybill" number
23 assigned by the carrier for that shipment, Cinematronics
24 developed the practice of advising MSAS of the existence of the
25 shipment, the "Air Waybill" number and the flight information
26 relating to the arrival of the shipment within the United
27 States.

28 7. At this point in each transaction, MSAS, at

1 Cinematronic's request, undertook the responsibility of coordi-
2 nating all efforts necessary to secure the delivery of the ship-
3 ment to Cinematronics in El Cajon.

4 8. These activities consisted of the preparation of
5 United States Customs Service forms necessary to reflect an
6 entry into the United States, payment of duties (taxes) imposed
7 by Customs in connection with the importation in question, pay-
8 ment of a bond to Customs to indemnify the United States govern-
9 ment for an under-valuation or mischaracterization of the goods
10 imported, arranging for surface transportation from the port of
11 entry to the El Cajon plant of Cinematronics, Incorporated, and
12 payment of all "freight collect" charges necessary to secure
13 delivery of the shipment. Upon completion of all activities in
14 connection with each individual transaction, invoices were pre-
15 sented to Cinematronics. Invoices of MSAS are normally payable
16 upon presentation. As a result of a continuing and developing
17 relationship between MSAS and Cinematronics, an agreement was
18 reached to advance duties, freight charges and other expenses on
19 terms requiring payment of all funds advanced and payment for
20 services rendered within 15 days after presentation of invoice.

21 9. Each shipment handled by MSAS on behalf of
22 Cinematronics was handled on an expedited basis. Cinematronics
23 was invariably concerned with obtaining possession of shipped
24 goods at the earliest possible moment. Cinematronics advised
25 shippers in Japan, as well as carriers, to notify MSAS when
26 shipments were available and ready for delivery.

27 10. Before the first of the transactions which are the
28 subject matter of the complaint herein, MSAS "handled" a number

1 of successful import shipment transactions on behalf of Cinema-
2 tronica.

3 11. As to each of the shipment transactions referenced in
4 the complaint herein, an employee or employees of Cinematronics
5 contacted our San Diego office and requested that we "handle"
6 the import shipment transaction in question. Following receipt
7 by the local MSAS employee of instructions from Cinematronics,
8 the local San Diego MSAS employee telephoned or otherwise com-
9 municated with the Los Angeles MSAS office which actually pre-
10 pared the documentation necessary to effect delivery of the
11 cargo and successful entry of the shipment through United States
12 Customs Service.

13 12. As to each of these transactions, MSAS fully dis-
14 charged all of its duties. In each case, MSAS paid all collect
15 freight charges, arranged for surface transportation if neces-
16 sary, paid Customs bonds as required, paid Customs duty as
17 required, and imposed a fee for its services. The balance now
18 due and payable by Cinematronics to MSAS is \$87,980.65. No pay-
19 ment has been made on this account since June 29, 1982.

20 13. On June 29, 1982, the amount of unpaid balance on the
21 Cinematronics, Incorporated account was \$97,807.13. On June 29,
22 1982, accompanied by other representatives of MSAS, I visited
23 Jim Pierce, Chairman of the Board of Cinematronics at his
24 offices in El Cajon, California.

25 14. On that date, June 29, 1982, Jim Pierce paid
26 \$10,000.00 against the unpaid balance to MSAS leaving a then
27 approximate balance of \$87,807.13. On June 29, 1982, both
28 orally and in writing, Jim Pierce acknowledged a debt by

1 Cinematronics to MSAS of \$87,807.13, and further represented
2 that Cinematronics was undergoing financial difficulties. At
3 the June 29, 1982, meeting, Mr. Pierce indicated his hope that
4 the remaining balance would be paid within 6 months.

5 15. As can be seen by reference to the verified complaint
6 on file herein, the vast majority of the debt which this appli-
7 cation for attachment is intended to secure consists of cash
8 advances made to United States Customs Service and to various
9 airfreight carriers on behalf of Cinematronics. The portion of
10 this claim which consists of service charges payable to MSAS
11 amounts to only \$742.00.

12 16. Employees of Cinematronics have advised MSAS employees
13 that Cinematronics has fallen delinquent on a repayment obliga-
14 tion of a major loan in excess of \$2 million. As a result
15 thereof, Cinematronics employees have advised MSAS employees
16 that "Chapter 11" proceedings are near at hand.

17 17. This attachment is sought only to secure the claim of
18 MSAS against defendant.

19 18. On information and belief, I allege that Cinema-
20 tronics, Incorporated has assets which can be attached to secure
21 this claim. In support of my statement of information and
22 belief, I hereby incorporate by reference a June 21, 1982, Dun
23 and Bradstreet report relating to Cinematronics, Incorporated.

24 19. Your declarant respectfully directs the Court's atten-
25 tion to page 2 of said report for a Fiscal Statement of Cinema-
26 tronics, Incorporated dated November 30, 1981, reflecting sub-
27 stantial cash inventory and receivable assets.

28 I declare under penalty of perjury that the foregoing is

1 true and correct.

2 Executed on August 5th, 1982, at San Diego, California.

3 Milton Hallen
4 MILTON HALLEN